

Message Text

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ACTION COME-00

INFO OCT-01 EA-12 IO-14 ISO-00 EB-08 CTME-00 TRSE-00
AGRE-00 ITC-01 /036 W
-----049698 140913Z /12
P 140849Z JUN 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 8811
INFO USMISSION GENEVA

UNCLAS SECTION 01 OF 02 TOKYO 10852

PASS COMMERCE FOR BIEPR/BUSINGER
USMTN

E.O. 11652: NA
TAGS: ETRD, JA, MTN
SUBJECT: TRADE FACILITATION COMMITTEE CASE--CIGAR
ASSOCIATION OF AMERICA, INC.

REFS: (A) TOKYO 10500, (B) STATE 144600, (C) TOKYO 10094
(D) STATE 130390, (E) TOKYO 6432, (F) TOKYO 6068,
(G) STATE 84173

1. SUMMARY: IN RESPONSE REF D, MESSAGE PROVIDES
INFORMATION ON JAPAN TOBACCO AND SALT PUBLIC CORPOR-
ATION (JTS) IMPORT, PRICING, AND DISTRIBUTION POLICIES
REGARDING CIGARS, AS WELL AS PRODUCTION DATA, TO
ASSIST IN COMMERCE PREPARATION OF TFC CASE ON BEHALF
OF CIGAR ASSOCIATION OF AMERICA, INC. END SUMMARY.
2. GENERAL IMPORT POLICY: AS THE SOLE IMPORTER AND
WHOLESALE DISTRIBUTOR OF CIGARS, JTS MAINTAINS THAT IT
IMPORTS SIZES AND SHAPES OF CIGARS IN RESPONSE TO
DOMESTIC DEMAND AS EXPRESSED THROUGH ORDERS FROM JTS
LICENSED RETAILERS. JTS OFFICIALS HAVE CONTINUED TO
STRESS TO EMBASSY THAT JTS PROCUREMENT IS "NON-DIS-
CRIMINATORY" AND WOULD INCLUDE ADDITIONAL SIZES AND
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SHAPES IF LOCAL DEMAND WARRANTED.

3. JTS PRICING POLICY: PRICES PAID FOR IMPORTED CIGARS
ARE NEGOTIATED ANNUALLY WITH LOCAL AGENTS. JTS RETAIL
PRICES FOR IMPORTED CIGARS REPRESENT: 70 PERCENT
REVENUE FOR THE FINANCE MINISTRY, 7 PERCENT RETAILERS
PROFIT MARGIN, AN ESTIMATED 3 PERCENT JTS HANDLING

CHARGE, AND THE REMAINDER, LANDED COST TO JTS. JTS RETAIL PRICES FOR DOMESTIC BRANDS REPRESENT: AN AVERAGE 60 PERCENT-65 PERCENT REVENUE FOR THE FINANCE MINISTRY, 10 PERCENT RETAILERS PROFIT MARGIN, AN ESTIMATED 3 PERCENT JTS HANDLING CHARGE, AND THE REMAINDER, JTS PRODUCTION COSTS.

4. JTS OFFICIALS STRESS THAT THE 70 PERCENT REVENUE FROM IMPORTED CIGARS (AND 60-65 PERCENT REVENUE FROM DOMESTIC BRANDS) IS IN LIEU OF JAPANESE TARIFFS AND TAXES, AND SHOULD THUS BE COMPARED TO TOTAL U.S. CUSTOMS DUTIES, FEDERAL, STATE, AND LOCAL TAXES, AND NOT CONSIDERED JTS PROFITS.

5. AS IN THE CASE OF CIGARETTES, JTS RETAIL PROFIT MARGINS ARE CURRENTLY 7 PERCENT OF RETAIL PRICE FOR IMPORTED CIGARS, AND 10 PERCENT OF RETAIL PRICE FOR DOMESTIC BRANDS. JTS RETAIL OUTLETS PAY JTS ON A CASH ON DELIVERY BASIS LESS PERMITTED PROFIT MARGINS. JTS "WHOLESALE PRICES" CAN BE DETERMINED BY SUBTRACTING THE APPROPRIATE MARGIN FROM THE RETAIL PRICES LISTED PARA 11 BELOW.

6. JTS RETAIL PRICES ARE FIXED BY LAW AND CANNOT BE CHANGED BY RETAILERS. RETAIL PRICES ARE ADJUSTED BY JTS UNDER FINANCE MINISTRY GUIDANCE BY PREPARING A BILL FOR DIET CONSIDERATION CONTAINING RECOMMENDED RETAIL

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PRICES. TO REFLECT EXCHANGE RATE CHANGES, IMPORTED CIGAR PRICES WERE LOWERED NOVEMBER 1, 1977, AND WILL AGAIN BE REDUCED EFFECTIVE JULY 1, 1978.

7. JTS RETAIL DISTRIBUTION: AS PREVIOUSLY REPORTED, TOBACCO PRODUCTS IN JAPAN ARE SOLD THROUGH APPROXIMATELY 249,000 JTS AUTHORIZED RETAIL SHOPS, SOME 200,000 CIGARETTE VENDING MACHINES, AND AN UNKNOWN NUMBER OF RESTAURANTS, HOTELS, TEA SHOPS, AND TRAIN STATION KIOSKS. JTS AUTHORIZES A LIMITED NUMBER OF HIGH VOLUME RETAIL SHOPS (14,100 AS OF SEPTEMBER 1977) TO SELL IMPORTED TOBACCO PRODUCTS.

8. ALTHOUGH PRECISE FIGURES ARE NOT AVAILABLE, JTS SOURCES ESTIMATE THAT LESS THAN HALF OF THE HIGH VOLUME RETAIL SHOPS HANDLE CIGARS, AND A MUCH SMALLER NUMBER HANDLE IMPORTED BRANDS. INDUSTRY SOURCES IN TOKYO ESTIMATE THAT ONLY 1,500 TO 2,000 HIGH VOLUME RETAIL SHOPS HANDLE IMPORTED CIGARS, AND ONLY 400-500 HANDLE MORE THAN ONE IMPORTED BRAND.

9. JTS ADVERTISING RESTRICTIONS (SEE PARA 5 REF F RE GOJ INITIAL RESPONSE TO TFC CASE NO. 5): JTS

IMPORTED CIGAR ADVERTISING IS CURRENTLY LIMITED TO
JTS COOPERATION WITH CIGAR IMPORTERS IN PRODUCING
ONE-PAGE EXPLANATORY INSERTS FOR THE JTS TOBACCO
PRODUCT CATALOG AVAILABLE TO RETAILERS.

10. JTS CIGAR PRODUCTION SALES AND IMPORT FIGURES:
(IN 1,000 PEICES)

..	JAPANESE BRANDS	IMPORTED BRANDS
JFY	PRODUCTION SALES	SALES

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INFO OCT-01 EA-12 IO-14 ISO-00 EB-08 CTME-00 TRSE-00

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 8812

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1971	8,950	9,119	10,003
1972	21,652	18,323	10,893
1973	31,454	27,323	11,985
1974	28,970	28,962	12,592
1975	19,914	20,012	8,341
1976	34,054	29,477	6,069
1977	(NOT AVAILABLE)		5,152

11. JTS CIGAR RETAIL PRICES:

JAPANESE BRANDS	YEN/PIECE	YEN/PACK	PRICING DATE
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PONDOR	360	--	12/18/75
ARCADIA	200	1,000	3/1/76
GLORIA	100	500	12/18/75
PALOMA	74	370	12/18/75
BARCA	60	300	12/18/75
BONITA	30	150	12/18/75

U.S. BRANDS	YEN/PIECE	YEN/PACK
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NEW PRICES EFFECTIVE JULY 1, 1978

MURIEL CORONELLA 74 370 (420)
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ROI-TAN TIPS	70	350 (360)
KING EDWARD	80	400 (440)
ROBT. BURNS	64	320 (360)
TIPARILLO	70	350 (400)
HAV-A-TAMPA	120	600 (600)

() PREVIOUS PRICES.
NON-U.S. FOREIGN BRANDS

NEW PRICES EFFECTIVE JULY 1, 1978:

.. YEN/PIECE YEN/PACK

ROMEO Y JULIETA(CUBA)	820	20,500/25 (SAME)
PARTAGAS (CUBA)	520	13,000/25 (SAME)
AMBASSADEUR(BELGIUM)	440	11,000/25 (SAME)
INSULAR CORONAS SUMATRA	280	7,000/25 (SAME)
-(PHILIPPINES)		
CORONA SUMATRA	250	6,250/25 (7,500)
-(PHILIPPINES)		
WILDE SENORITAS	160	1,600/L0 (SAME)
-(NETHERLANDS)		
OLD PORT (CANADA)	130	650/5 (700)
WILLEM 11 LONG PANA-		
- TELLA (NETHERLANDS)	120	600/5 (SAME)
WILDE INDIOS		
-(NETHERLANDS)	100	1,000/10 (SAME)
CAFE CREME		
-(NETHERLANDS)	82	820/10 (SAME)
AGIO JUNIOR TIPS		
-(NETHERLANDS)	82	820/10 (SAME)
OLD PORT CIGARILLOS	58	290/5 (320)

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() PREVIOUS PRICES.

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Message Attributes

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